Forensic Audit, Auditor Competency and Emotional Intelligence on Fraud Prevention

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Research aim: This research aims to find out how forensic audits, auditor competence, and emotional intelligence affect fraud prevention.
Design/Methode/Approach: The method used is quantitative by distributing questionnaires to KAP auditors in Yogyakarta.
Research Finding: The research results show that forensic auditing and emotional intelligence affect fraud prevention, while auditor competence has no effect. This indicates that the actualization of forensic audits and the emotional intelligence of auditors will form a good preventive pattern in fraud. Meanwhile, fraud prevention is less effective if it relies on auditor competence.
Theoretical contribution/Originality: This research contributes to the development of attribution theory to explain individual attitudes in fraud prevention.
Practitionel/Policy implication: This research is useful to the advancement of literature in the field of auditing and may become a reference for comparison in future research.
Research limitation: The limitation of this research is the limited sample of auditors and variables that are too narrow so research development is needed to obtain more accurate results.
Keywords: Auditor Competency, Emotional Intelligence, Forensic Audit Fraud Prevention

1. Introduction

Indonesia has not been free from various cases of fraud that harm the state and society. This fraud will violate the law, erode public trust, damage social harmony, and even threaten the state economy. Fraud based on the results of the Indonesian Fraud Survey (SFI) based on the Report to the Nations (RTTN) show fraud which is still the number one cause of the biggest losses is corruption, misuse of state or company assets, and fraudulent financial statements (Association of Certified Fraud Examiners Indonesia, 2019).
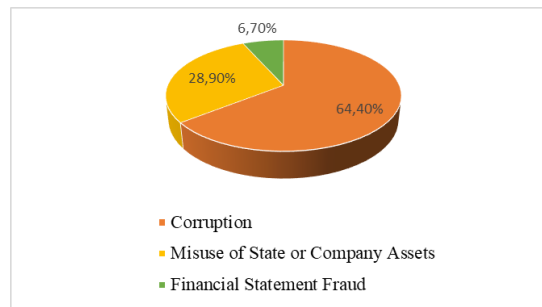
Figure 1. The most common frauds in Indonesia

Source: Indonesia Fraud Survey, ACFE 2019

Elisabeth and Simanjuntak (2021), say that fraud is the root of moral, ethical, and mental problems, values, and ways of thinking that underlie human crime. Fraud prevention is carried out to avoid large losses and damage to the good name of institutions and individuals. Diaz (2013), reveals that fraud prevention is an effort to eliminate the causes of fraud.

The existence of fraud practices introduces the term forensic audit. Forensic auditing based on forensic accounting adapted from a principle-based accounting environment with guidelines without using an audit approach or focusing more on fraud practices will minimize financial fraud. Both forensic accountants and forensic auditors can be involved in preventing or identifying fraud (Smith et al., 2012). Optimal fraud prevention can be supported by the competence of auditors.

Auditor skills and competence are something that must be mastered in the act of detection, disclosure, and investigative audits aimed at minimizing fraud (Mulyadi & Muhammad Nawawi, 2020). The required competencies include the basic skills, knowledge, and attitudes of the expert. Auditor competence shows integrity in carrying out their duties. One of the auditor's integrity can be shown through his emotional intelligence.

Emotional intelligence affects the perception of an individual, in this case, the auditor. Goleman (2011), adduces emotional intelligence as understanding of one's own and others' feelings, self-motivation, and managing one's emotions well. Emotional intelligence is the foundation that forms intellectual and spiritual intelligence. An auditor who has good emotional intelligence will have an attitude and character that upholds his professional code of ethics. That way auditors are expected to be able to assist in preventing fraud.

1.1. Statement of Problem

Durnila & Santoso (2018), forensic audit influences fraud prevention, while auditor competence has no influence. Emotional intelligence does not affect forensic audit and fraud prevention, but emotional intelligence affects auditor competence and fraud prevention. However, the results Fiar & Jaeni (2022), are different in that forensic audit and auditor

competence haven't effect on fraud prevention. The presentation of data conducted Durnila & Santoso (2018), uses emotional intelligence variables as moderating variables, for this reason in the study emotional intelligence is used as the dependent variable. With the differences from previous studies, it is interesting for researchers to look back at forensic audit variables as auditor knowledge in investigations, auditor competence to demonstrate auditor quality, and emotional intelligence that complements an auditor's expertise and knowledge in fraud prevention. Based on this relevant background, a researcher will examine research that focuses on "The Effect of Forensic Audit, Auditor Competence, and Emotional Intelligence on Fraud Prevention".

Attribution theory

According to Pratiwi et al., (2020), attribution theory is related to individual attitudes or characteristics, in other words, we can find out the uniqueness of a person's attitude in dealing with a particular situation shown by the individual. In attribution theory, individual behavior is observed to explain reactions to events that occur in life and the reasons why this can happen. The attitude and character of auditors are one of the determining internal factors in fraud prevention. Internal factors (dispositional attributions) in this case are factors that already exist in a person that encourage someone to do something. In addition, the behavior of an auditor is also influenced by external factors (situational attributions) in the form of environmental conditions that exist around them. It can be concluded that attribution theory can influence auditors in preventing fraud through forensic audits, auditor competence, and emotional intelligence. If an auditor can prevent fraud, it will show professionalism as an auditor and evidence of a healthy Public Accounting Firm environment.

Forensic Audits

Fraud is generally carried out systematically with the mode of engineering in financial transactions, therefore fraud prevention is usually difficult to detect early. To prevent fraud, there must be preventive action from auditors which includes fraud detection through forensic audits. The results of Durnila & Santoso (2018), forensic audits affect fraud prevention, so the better the implementation of forensic audits, the better or more optimal fraud prevention can be. The existence of forensic audits should be effective in preventing, finding out revealing, and resolving cases of fraud. Retrieved from this description, then the first hypothesis (H1) in this study, which is:

H1: Forensic audit affects fraud prevention.

Auditor Competence

Kayo (2013) argues that auditor competency is a standard that must be possessed by a forensic auditors carrying out their work. Auditor competence is considered as one of the factors in fraud prevention which is expected to make the company clean without fraud.

Utami (2015), experienced auditors will be better able to provide reasonable explanations in the financial statements, then Auditor competence is also something that needs to be considered in the fraud prevention system. Based on the research results (Fiar & Jaeni, 2022), auditor competence affects fraud prevention. The better the auditor, the better the fraud prevention will be. Fraud prevention can occur if auditors can provide preventive recommendations and evaluate internal control. Retrieved from this description, then the second hypothesis (H2) in this study, which is:

H2: Auditor competence affects fraud prevention.

Emotional Intelligence

Emotional intelligence makes it easier for auditors to prevent fraud. Emotional intelligence will make it easier for auditors to examine, self-control, and social skills in exploring audit evidence and related information. Its components include self-awareness, self-regulation, motivation, empathy, and social skills (Goleman, 2011). By having good emotional intelligence, a person can better control their emotions. When someone tries to do something, make sure they carefully consider whether the behavior is ethical or not. Accounting fraud is influenced by emotional intelligence (Ervinia et al., 2021). If someone has emotional intelligence, the less likely the tendency of accounting fraud. Retrieved from the description, then the third hypothesis (H3) in this study, which is:

H3: Emotional intelligence affects fraud prevention.

2. Method

The approach used is quantitative to test forensic audits, auditor competence, and emotional intelligence in fraud prevention. To support this research, data was obtained directly through questionnaires distributed to KAP auditors in the Yogyakarta region with as many as 30 respondents. To see how far the impact of the independent and dependent variables is, quantitative data is presented in the form of numbers (Nuryadi et al., 2017). Sampling was done using the propionate simple random sampling due to the limited number of auditors at KAP in Yogyakarta. The sample is at the right time and place because of the availability of elements and the ease of obtaining them. Measurements were made using a Likert scale of 1 to 5, where the number of questions was different for each variable construct.

The research methods used include descriptive statistics which serve to obtain an overview of variables. Data quality tests are used to see the consistency and accuracy of data collected, there is a validity test to gauge the validity and a reliability test to see how a person's answer to a questionnaire is stable over time or consistent (Ghozali, 2018). The classic assumption test to determine whether there is a deviation or not, there is normality test to determine the normality of the population, the multicollinearity test to find a correlation between independent variables, and the heteroscedasticity test to detect inequality of variance

of the residuals (Ghozali, 2018). The last is hypothesis testing, which is a multiple linear regression analysis to measure the magnitude of the influence of two or more independent variables on a dependent variable, and the t-test is used to view the significance of the regression coefficient (Ghozali, 2018).

3. Results and Discussion

Descriptive Statistics

Descriptive statistical test results from research on forensic audit variables, auditor competence, emotional intelligence, and fraud prevention, ie :

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Forensic Audit	30	26,00	35,00	30,3333	2,42591
Auditor Competence	30	21,00	30,00	25,9000	2,15519
Emotional Intelligence	30	18,00	24,00	20,7667	1,67504
Fraud Prevention	30	10,00	15,00	12,5000	1,45626
Valid N (listwise)	30				

Source: SPSS Data Processing, 2022

Data Quality Test

A questionnaire is stated valid if questions on the questionnaire can reveal something that will be measured by the questionnaire (Ghozali, 2018). The data is valid if the Corrected Item-Total Correlation value on r count> from r table at a significance of 0.05 (5%). The results of the validity test state that all question items have a value of r count> from the r table of significance 0.05 (5%) which indicates that all question items are valid on forensic audit variables, auditor competence, emotional intelligence, and fraud prevention. A variable is reliable if the Cronbach Alpha value is> 0.60, it can be concluded that the instrument is reliable. The reliability test results show that all variables have a Cronbach's Alpha value> 0.60 so it can be said that all questionnaires are reliable.

Classical Assumption Test

The classic assumption test is retrieved to find that processed data is not distorted and is normally distributed.

Table 2. Classical Assumption Test

Normality Test (One-Sample Kolmogorov-Smirnov Test)		
	Unstandardized Residual	
Asymp. Sig. (2-tailed)	,066c	
Multicollinearity Test	Collinearity Statistics	
	Tolerance	**VIF**
Forensic Audit	,581	1,721
Auditor Competence	,407	2,455
Emotional Intelligence	,624	1,603
Heteroscedasticity Test		
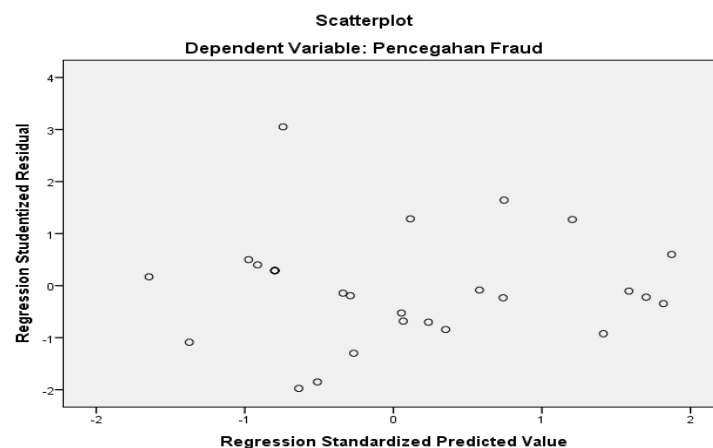
Sumber : Olah Data SPSS, 2022

The table 2 can conclude that the normality test retrieved with Kolmogorov Smirnov, obtained an Asymp Sig value of 0.66 means that the value is greater (>) than 0.05 so that data is declared normally distributed. The multicollinearity test results state that there is no correlation between independent variables, this is evidenced by the tolerance value of forensic audit variable 0.581, auditor competence 0.407, and emotional intelligence 0.624, which means that all variables have a tolerance value ≥ 0.1 and a VIF value of 1.721 on forensic audit variable, 2.455 on auditor competency variable, and emotional intelligence 1.603, that all variables have a VIF value ≤ 10. So, data in this study avoid multicollinearity problems. Furthermore, the test results show that there is no heteroscedasticity problem and the ideal regression model is well met because the ScatterPlot output for the heteroscedasticity test has a distribution pattern above and below number 0, the pattern does not collect, the distribution of data points does not form a wavy or widened pattern then narrows and widens again, the distribution of data points does not have a pattern.

Multiple Linear Regression

Table 3. Multiple Linear Regression Test

Coefficients^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (constant)	-2,827	3,167		-,893	,380
Forensic Audit	,291	,111	,485	2,624	,014
Auditor Competence	-,117	,149	-,174	-786	,439
Emotional Intelligence	,459	,155	,528	2,959	,007
a. Dependent Variable Fraud Prevention					

Source: SPSS Data Processing, 2022

Here is the realized regression model :

Fraud prevention = -2.827 + 0.291 forensic audit - 0.117 auditor competence + 0.459 emotional intelligence + e

The regression equation has a constant value (a) of -2.827, indicating that the magnitude of the independent variable in this case is forensic audit, auditor competence, and emotional intelligence is zero, while the magnitude of the independent variable fraud prevention is -2.827. The regression coefficient value for the forensic audit variable of 0.291 indicates that if the forensic audit increases by 1%, then fraud prevention increases by 0.291. The regression coefficient value of the auditor competency variable of -0.117 indicates that there is a decrease in the value of -0.117 for each fraud prevention retrieved. The regression coefficient value of the emotional intelligence variable is 0.459, indicating that for every 1% increase, the ability to prevent fraud will increase by 0.459.

The Effect of Forensic Audit on Fraud Prevention

The results of forensic audit testing Ho are rejected and Ha is accepted, indicating that there is a significant influence between forensic audit and fraud prevention. It means if higher of forensic audit quality, the more effective fraud prevention will be. The effectiveness of forensic auditing affects the detection, investigation, and prevention of fraud, including the use of proactive and reactive techniques, namely auditors detect possible risks of fraud, and audits will be carried out when there is an initial indication of fraud. According to Kayo (2013), one of the indicators of forensic audit in detecting fraud is that early detection of fraud can prevent fraud that can harm many parties. In attribution theory, forensic auditing is determined by internal attribution where there are factors that determine auditors in preventing fraud from within the auditor.

One of the tools used by forensic auditors to determine fraud is Donald Cressy's Fraud Triangle which includes opportunity, rationalization, and pressure (Turner et al., 2003). Opportunity relates to a person's opportunity to commit fraud due to a lack of control or internal control. Rationalization relates to a person's attitude in rationalizing his or her fraudulent actions, meaning that a person may consider the fraud he or she commits to be reasonable and tolerable. Pressure is related to other parties that cause fraud. If in a company or organization, there is one or all three components, then the possibility of fraud is very large. Fraud can appear in various forms such as internal financial fraud, bribery, corruption, or embezzlement of funds. Each form of fraud requires different skills in prevention and disclosure by forensic auditors.

The Effect of Auditor Competence on Fraud Prevention.

The results of auditor competency testing Ho is accepted Ha is rejected, which means that there is no significant effect between auditor competence on fraud prevention. Durnila and Santoso (2018), that no effect on fraud prevention here means that the higher auditor competence does not mean that the auditor can prevent fraud. However, this is not in line with the initial hypothesis which shows that auditor competence affects fraud prevention such as research conducted by (Fiar & Jaeni, 2022) that auditor competence affects fraud prevention. Fraud prevention can occur if the auditor provides recommendations for prevention and evaluation of internal control, if the auditor does not provide internal control, fraud will occur. The competence of an auditor will have an important role in the results of his work but also vice versa, auditors who have high competence can take actions such as manipulation and bias and also commit other fraud.

The Effect of Emotional Intelligence on Fraud Prevention

The result of emotional intelligence testing Ho is rejected Ha is accepted, indicating the significance of emotional intelligence and fraud prevention. Ervinia et al., (2021), says that auditors who can manage emotions, socialize with their work environment, and deal with pressure in the world of work with stable emotions, these auditors will have more comprehensive considerations in their attitudes and behavior so that they will be more honest in working on financial reports. One of the indicators put forward (Goleman, 2011) is self-awareness where self-awareness will prevent fraud, this is the reason why emotional intelligence has a crucial role in achieving success in all fields such as the world of work, including in controlling the desire to commit fraud. Based on attribution theory, emotional intelligence refers to how a person explains the causes of the behavior of others or themselves. In this case, emotional intelligence includes internal factors from attribution theory where this attitude can contribute to the auditor's attitude. The attitude of the auditor has a big role in fraud prevention.

4. Conclusion

The study aims to determine the influence of three independent variables that is forensic audit, auditor competence, and emotional intelligence on the dependent variable fraud prevention. Forensic audit influences fraud prevention. The results show that the stronger the application of forensic auditing, the better fraud prevention. The effectiveness of forensic auditing is very influential in detecting, investigating, and preventing fraud by using proactive techniques, namely, auditors detect the possibility of fraud risk and reactive, namely audits will be carried out if there is an initial indication of fraud. Auditor competence does not influence fraud prevention. This proves that higher competence possessed by the auditor doesn't mean that the auditor can prevent fraud. Emotional intelligence influences fraud prevention. This proves that higher emotional intelligence possessed by an auditor can prevent fraud.

Development of further research about forensic audits, auditor competence, and emotional intelligence, the independent variables are modified to get accurate results regarding the influence of variables. The sample used in this research is too few. So for further research, it is hoped that it can increase the number of samples to be used to get a description of the results that are closer to the actual situation. Auditor competence is not sufficient in applying forensic audit science in detecting and preventing fraud so a more structured control system development strategy design is needed to systematically prevent fraud as early as possible. For further researchers, they can add and develop other research methods such as direct interviews with respondents to obtain higher-quality data.

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